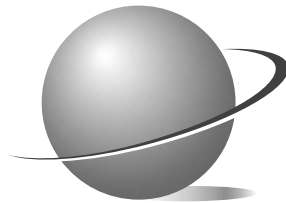


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**14. EXECUTIVE SUMMARY OF THE ERNST & YOUNG REPORT**

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[Prepared for the inclusion in this Prospectus]



**Efficient**

**EFFICIENT E-SOLUTIONS BERHAD**  
**(Company No. 632479-H)**

**Industry Overview Report**  
**Executive Summary**

**18 November 2004**

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**14. EXECUTIVE SUMMARY OF THE ERNST & YOUNG REPORT (Cont'd)**

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Data and Document Processing Services  
Electronic Bill Presentment and Payment Service

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## **Executive Summary**

### **Purpose**

This Executive Summary, which is based on the Industry Overview Report dated 16 August 2004, was prepared for inclusion in the prospectus relating to Efficient E-Solution Berhad's listing on the MESDAQ market of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

### **Introduction**

Efficient E-Solutions Berhad ("EFFICIENT") is a company specialising in the provision of Data and Document Processing ("DDP") and Electronic Bill Presentment ("EBP") services to various organisations.

DDP services refer to a string of activities ranging from data extraction to the creation, printing and distribution of critical mail items such as monthly bank statements, invoices, contract notes, and etc. These activities normally reside within the purview of back office operations of any organisation.

EBP service provides consumers bills and statements in electronic form as opposed to DDP service where such documents are generated and presented via a paper-based process. EBP is a subset of a total solution referred to as Electronic Bill Presentment and Payment ("EBPP") in which companies both bill customers and receive payments electronically.

Both DDP and EBPP fall within the ambit of the larger outsourcing services industry.

### **Outsourcing Services**

Outsourcing refers to the transfer of operational responsibility of business processes or infrastructure management to a third party Service Provider ("SP"). The outsourced process or function is generally considered to be non-core in nature by the customers.

The outsourcing market can be broadly categorised into six (6) segments namely applications, business processes outsourcing ("BPO"), helpdesk, data centre, network and desktop. Applications followed closely by BPO are recognised as the most common outsourcing services.

DDP and EBPP services fall within the ambit of BPO. The BPO market is predicted to grow significantly worldwide as an increasing number of organisations are benefiting from outsourcing their business processes to third party experts.

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**14. EXECUTIVE SUMMARY OF THE ERNST & YOUNG REPORT (Cont'd)**

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Data and Document Processing Services  
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Worldwide spending on BPO services totaled approximately USD405 billion in 2003, a growth of about 8% over 2002. The BPO market is projected to increase to USD682.5 billion by 2008 at a Compounded Annual Growth Rate ("CAGR") of 11%<sup>1</sup>

Specifically on the Malaysia BPO market, IDC Market Research (M) Sdn Bhd ("IDC") expects to see in 2004, larger companies more proactively consider the possibilities of adopting BPO. IDC anticipates corporations will begin to make strategic decisions on outsourcing document delivery and other business functions within the organization, such as financial accounting and human resource function, to control costs and maximize resources<sup>2</sup>.

### **Data and Document Processing**

DDP services refer to a string of activities ranging from data extraction to the creation, printing and distribution of critical mail items such as monthly bank statements, invoices and contract notes. These activities normally reside within the purview of back office operations of any organisation.

#### **DDP Practises in Selected Industries**

Although DDP is applied in various industries in Malaysia, the study focused on four (4) industries with the highest usage. They are:

- Banking;
- Stockbroking;
- Insurance; and
- Telecommunications.

Key findings in relation to DDP services across these industries are as follows:

- Most of the organisations in the banking, life insurance and telecommunication industries have outsourced their DDP services to third party SPs. In the stockbroking industry, 40% of the larger companies have outsourced;
- On average, 75% of organisations in these industries have outsourced their DDP operations. There is the potential of the remaining 25%;
- Opportunity also exists in untapped sectors within these industries; such as general insurance, finance companies, merchant banks, where DDP operations are mainly undertaken internally; and
- Further, the analysis also shows that those companies that have started outsourcing their DDP services have not outsourced all their internally generated documents for customers and other third parties.

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<sup>1</sup> IDC, Worldwide and U.S. Business Process Outsourcing 2004-2008 Forecast : Market Opportunities by Horizontal Business Functions

<sup>2</sup> IDC, 2004, *IDC announces top key trends in Malaysia ICT market in 2004*

**14. EXECUTIVE SUMMARY OF THE ERNST & YOUNG REPORT (Cont'd)**

Data and Document Processing Services  
Electronic Bill Presentment and Payment Service

**Market Share**

The table below provides the estimated market share of selected SPs in terms of revenue contribution.

DDP Market Share of Selected Service Providers

<b>Service providers</b>	<b>Market Share (%) *#</b>
Datapos (M) Sdn Bhd ("Datapos")	14%
EFFICIENT	7%
Inter-City MPC Sdn Bhd ("Intercity")	6%
Pro-Office Bulk Mailing Sdn Bhd ("Pro-Office")	6%
Epic-I Sdn Bhd ("Epic-I")	5%
SR Express Sdn Bhd (SR Express")	5%
Hong Hong Documents Sdn. Bhd ("Hong Hong")	5%
KNZ Mail Services Sdn Bhd ("KNZ")	3%

(Source: Annual Reports of SPs, E&Y Research)

\* Excludes Cyberprint's Revenue

# Based on 2002 and 2003 revenues

Based on Revenue, Datapos is the market leader, followed by EFFICIENT. Datapos is able to generate higher revenue by leveraging on its holding company Pos Malaysia Berhad ("PMB"), and its postal network.

However, EFFICIENT dominates in the banking, stockbroking and life insurance industries. The table below provides the results of the analysis, showing the leading SPs with the highest number of organisations served within the four (4) major user industries.

Leading DDP SPs Across Industries

<b>Industry</b>	<b>Service Provider with highest number of customers</b>
Banking	EFFICIENT
Stockbroking	EFFICIENT
Life Insurance	EFFICIENT
Telecommunications	Pro-Office

(Source: E&Y Research)

**14. EXECUTIVE SUMMARY OF THE ERNST & YOUNG REPORT (Cont'd)**

Data and Document Processing Services  
Electronic Bill Presentment and Payment Service

Other observations made in relation to these SPs are as follows:

- Most organisations in the life insurance and telecommunication industries prefer to outsource their DDP operations to external SPs;
- Only EFFICIENT serves organisations in all four (4) industries and has dominant position in three (3) of them;
- Smaller SPs are mainly in the telecommunications industry;
- All DDP SPs offer generic services ranging from data extraction and conversion, data processing, document generation and distribution. With the exception of a few companies, such as EFFICIENT and Hong Hong Documents Sdn Bhd (“Hong Hong”) which have their own in-house IT experts, most other companies rely on external IT support to provide value added services to their customers; and
- We understand that there are only two (2) SPs, EFFICIENT and Hong Hong that have ventured into providing electronic services such as EBP and EBPP respectively.

***DDP Market Size and Growth Potential***

The total market size for DDP in Malaysia for 2003 ranges between RM287 million and RM402 million and is projected to grow to between RM462 million to RM999 million by 2008 as shown below.

Projected Growth of DDP Market

Scenario	Estimated Market Size 2003 (RM Million)	Growth Rate	Projected market size (RM Million)				
			2004	2005	2006	2007	2008
Low Case	287	10%	316	347	382	420	462
Base Case	335	15%	385	443	509	585	673
High Case	402	20%	482	578	694	833	999

(Source: Annual Reports of SPs, E&Y Research)

The growth in the DDP market is contributed by various factors, including increasing population and affluence, new products and technology and affordable products.

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**14. EXECUTIVE SUMMARY OF THE ERNST & YOUNG REPORT (Cont'd)**

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Data and Document Processing Services  
Electronic Bill Presentment and Payment Service

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### *Drivers of Growth*

#### *Population and Affluence*

The growth in population as well as the increasing affluence among Malaysians contributes directly to the DDP market. As population grows the demand for DDP services increases, as more DDP generated documents are required such as utility bill, bank statements, promotional materials and etc. Similarly, as the population becomes more affluent, demand for products such as mobile phones, life insurance policies, stock investments and etc increases, leading to increased demand for DDP services.

#### *New Products and Technologies*

One of the unique aspects of DDP is that demand for DDP services increases when new products and technologies are introduced in the Malaysian market. For example, new products such as mobile phones and internet increased the demand for DDP services due to the need for monthly statements to customers.

#### *Affordable products*

Another factor contributing to the growth in DDP are the prices of products in the market. Products such computers and mobile phones, when initially introduced, were costly and only affordable to a handful of Malaysians. However over the years, competition coupled with the reducing cost of technology led to prices of these products decreasing and hence becoming affordable to many Malaysians.

#### *Barriers to Entry and Exit*

The barriers to entry in the DDP market can be categorised broadly into three (3) areas.

#### *Confidentiality and Integrity of Information*

In providing DDP services, SPs gain access to confidential third party information and hence must set up measures to maintain the confidentiality and integrity of this information. In complying with these requirements, SPs would need significant upfront capital investments in securing the physical and non-physical access to the information. In addition, organisations in these industries where confidentiality is demanded would have more confidence and trust in established SPs with good customer base and track record as opposed to new entrants.

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**14. EXECUTIVE SUMMARY OF THE ERNST & YOUNG REPORT (Cont'd)**

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Data and Document Processing Services  
Electronic Bill Presentment and Payment Service

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### *Competitive Advantage*

Established DDP SPs would have various advantages over a new SP. These include:

- High upfront capital set-up cost. New entrant would need to invest in machinery and equipment, software and disaster recovery sites.
- A new entrant would also need to develop IT capabilities to serve diverse customers with different IT systems.
- Established SPs would have lower operating cost compared to new SPs as a result of various factors including learning/experience curve and economies of scale.

### *Contractual Obligations and Switching Cost*

For all major DDP services, contractual agreement between the SPs and their customers are executed. The contract durations vary with the maximum period being five (5) to ten (10) years. Organisations are unlikely to switch to alternative SPs during and even upon expiry of the contracts due to two (2) primarily reasons:

- Switching costs from one (1) SP to another is high. Unless the quality of service from the existing SP is so poor or the new SPs can offer major improvements in costs and/or performance, most organisations do not see the value in incurring these switching costs; and
- The migration process for example for a financial institution can take up to one (1) year to complete. As a result, the complexity coupled with the resources required to migrate deters many organisations from switching SPs after signing up.

The main barrier for a customer to exit from a contractual arrangement is the contractual agreement. Further, for termination, most contracts require the SPs to provide prior notice of up to 12 months. In default, the SPs will be penalised and will be required to compensate the customer.

### *Substitute Products*

EBPP, a potential substitute for DDP, is currently at its infancy stage in Malaysia. Only a handful industries, such as banking and telecommunication, have ventured into providing EBPP as a complementary service whilst still issuing hard copy statements. Other industries like life insurance and stockbroking only recently have taken initiatives to develop EBPP services. Considering these factors, the uptake of EBPP as a substitute of DDP services is not likely to be significant in the short term.

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14. EXECUTIVE SUMMARY OF THE ERNST & YOUNG REPORT (*Cont'd*)

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Data and Document Processing Services  
Electronic Bill Presentment and Payment Service

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*Laws and Regulations*

There are no specific laws and regulations governing the DDP market in general.

However, there are certain regulations governing outsourcing within specific industries as noted below.

*Banking Industry*

With respect to the banking industry, BNM has issued a circular allowing banks in Malaysia to outsource their operational functions that are not integral to the core business. However, banks are required to notify BNM before entering into an agreement to outsource these operations to third party SPs.

The circular requires these SPs to fully comply with the safeguards listed within the circular as well as to provide a written undertaking to BNM.

*Insurance Industry*

BNM has also issued a similar circular allowing insurance organisations in Malaysia to outsource their operational functions that are not integral to their core business. However, they are required to notify BNM before entering into an agreement to outsource these operations to third party SPs.

*Stockbroking and Telecommunication Industries*

There are no specific requirements or limitations relating to DDP in the Stockbroking and Telecommunication industries.

*Risk Management*

There are a number of risk factors affecting DDP SPs, which are enumerated below.

*Competition*

The market for DDP services is highly competitive. There are several critical success factors differentiating one (1) SP from another, amongst them include technical competence, delivery cycle, pricing, quality, capacity, reliability and customer service. However, due to the contractual obligations between the SPs and their customers as well as the corresponding migration cost that will be incurred, it is not easy for an organisation to switch from one (1) SP to another.



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**14. EXECUTIVE SUMMARY OF THE ERNST & YOUNG REPORT (Cont'd)**

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Data and Document Processing Services  
Electronic Bill Presentment and Payment Service

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### *Technological Developments*

Like many industries, the DDP services is also characterised by rapid technological developments. This includes technology that affects the DDP process as well as new competing technologies such as EBPP. Certain external SPs such as EFFICIENT and Hong Hong, have in-house IT expertise which provides them technological leverage compared to other SPs without such competency.

### *Reliance on Customers in Specific Industries*

The DDP market is currently dominated by organisations in the banking, stockbroking, life insurance and telecommunication industries. Positive growth in these industries augurs well for the SPs as more DDP services will be required. However a decline in growth, industry consolidation or changes that reduces the need for DDP services would adversely affect these SPs. As such SPs with customers in different industries are more likely to survive in times of crisis compared to SPs heavily dependent on one (1) or two (2) industries.

### *Third Party Information*

In providing DDP services, SPs are entrusted and given access to third party confidential information. In managing this information, SPs are exposed to various risks such as fraudulent or malicious use of data, loss of data and etc. SPs, which are not careful with this information, may lose their customers, reputation or in the worst-case, face legal action.

In view of this, DDP SPs have in place various procedures to mitigate such risk. Among them include secure printing rooms, password for DDP systems and encryption software to maintain confidentiality of transmitted data. Some SPs have even installed Closed Circuit Television to monitor their premises.

### **Electronic Bill Presentment and Payment**

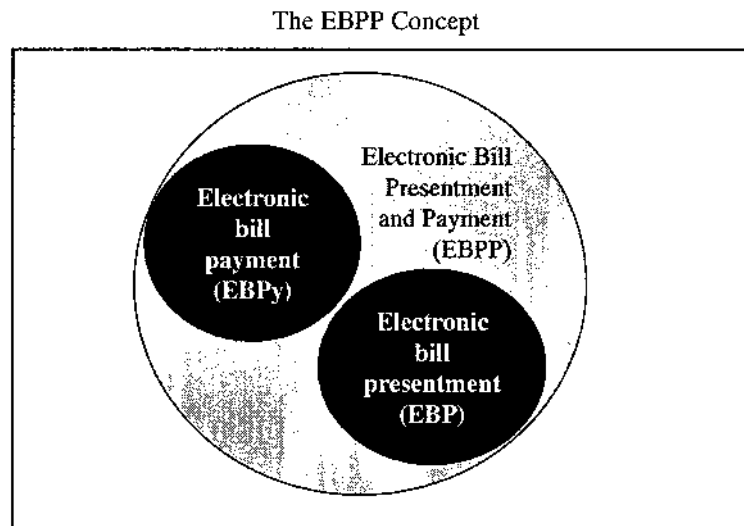
Today, most consumers still receive their bills and statements via a paper based process. However, the emergence of new technologies, such as EBPP, enable these documents to be presented electronically in the form of e-mail, SMS, or other relevant mediums, viewed using a personal computer, mobile phone or PDA.

EBPP is a process that enables bills to be created, delivered, and paid over the Internet. It simplifies billing by automating the process of bill distribution, payment authorisation and remittance by replacing traditional method of paper billing with an Internet based billing solution.

#### 14. EXECUTIVE SUMMARY OF THE ERNST & YOUNG REPORT (Cont'd)

Data and Document Processing Services  
Electronic Bill Presentment and Payment Service

EBPP can be further subdivided into two (2) segments; EBP and Electronic Bill Payment (“EBPy”) as depicted in the figure below. EBP relates to the presentment activities whereas EBPy relates to the payment activities.



(Source: E&Y Research)

Whilst EFFICIENT has ventured into providing EBP services complimentary to its existing DDP services, it does not plan to venture into providing EBPy services, as it does not want to be perceived as competing with its banking customers for business.

#### EBPP International Experience

About 75% of the global EBPP market is located in North America<sup>3</sup>. Also, it is generally recognised that North America has about 18 months lead over other regions of the world in this segment.

Even though various recent research studies on EBPP in North America indicated the market is growing, however, different studies noted different rates of growth and size of market. Paystream Advisors reported adoption rates for EBPP at 13%<sup>4</sup> of Internet users.

#### EBPP Practices in Selected Industries in Malaysia

Banking and telecommunications are two (2) industries that are actively involved in spearheading the utilisation of EBPP in Malaysia. In contrast, the insurance and stockbroking industries are lagging in migrating to Internet based services.

<sup>3</sup> Copybook Solutions LTD, 2002, *EBPP in Europe, An interview with CheckFree i-Solutions*

<sup>4</sup> Paystream Advisors, 2002, *The Acceleration of Treasury Technology*

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**14. EXECUTIVE SUMMARY OF THE ERNST & YOUNG REPORT (Cont'd)**

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Data and Document Processing Services  
Electronic Bill Presentment and Payment Service

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### *Banking*

Most banks have ventured into providing EBP services, catering to payment for both internal and third party transactions. The banks also do provide EBP for presentment of internal based documents. However, significant potential lies in the EBP segment relating to presentment of third party based documents. For example, currently banking customers would still need to obtain third party paper based statements and bills before they can utilise internet banking for making payments.

### *Telecommunications*

Similar to the banking industry, the Malaysian telecommunication industry has also ventured in providing EBPP services with the aim of providing an added channel for its customers to view and pay bills online. However the focus of the telecommunication industry is on providing EBP and EBP services mainly for its internal based transactions.

### *Insurance and stockbroking*

Except for a few organisations, most insurance as well as stockbroking organisations do not provide EBPP services. Presentment and payments are currently conducted through traditionally mean i.e. paper-based process. However in certain cases, some of these organisations do provide consumers with the option of paying bills using the EBPP facilities provided by the banks.

Moving forward, some of these insurance organisations have initiated alliances with technology organisations to develop their own on-line facility. These companies seek to utilise technology to create an environment where insurance and stockbroking related transactions could all be conducted online.

### *Market Players*

Besides the banks, EFFICIENT and Hong Hong, which provide EBPP service to third party organisations, there are several other independent SPs in the market. These SPs have established a one-stop website for consumers. Depending on the SP, they offer on-line transaction services including EPB and EBP, covering multiple organisations.

The SPs include:

- Konsortium Multimedia Swasta Sdn Bhd (“KOMMS”);
- mySPEED.com Sdn Bhd (“mySPEED”);
- MY EG Dot Com Sdn Bhd (“MY EG”); and
- Paybills Malaysia Sdn Bhd (“Paybills”).

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**14. EXECUTIVE SUMMARY OF THE ERNST & YOUNG REPORT (Cont'd)**

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Data and Document Processing Services  
Electronic Bill Presentment and Payment Service

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*EBPP Market Size and Growth Potential*

EBPP is still at its the infancy stage in Malaysia with some form of adoption by players in the banking and telecommunication industry whilst other industries are lagging behind.

Even with the introduction of EBPP, banks and telecommunication players still continue to provide their customers with traditional means of presentment (e.g. paper based bank statements) and payment (e.g. cheques), indicating that the EBPP currently complements rather than substitutes services such as DDP. This practice of providing both EBPP and DDP services is anticipated to continue into the future.

The estimated number of EBPP users in Malaysia in 2003 stands at about 530,000 and is expected to double to slightly above 1 million by 2008.

*Drivers of Growth*

The growth in the EBPP market is contributed by numerous factors, among which include:

- Players within the banking and telecommunication industry have invested significantly in EBPP. These organisations have been aggressive in marketing and promoting their online facility. To safeguard their investment, these organisations are anticipated to continue marketing and promoting their online facilities to encourage public acceptance and use of such facilities.
- The banks and other SPs, have also ventured into providing EBPP for numerous third party organisations. This would encourage higher public acceptance and use as it provides a one-stop convenience centre where diverse transactions can be undertaken.
- Significant potential also lies in untapped industries such as insurance and stockbroking. Players within these industries are moving towards providing on-line facilities, which also encompasses EBPP
- As EBPP uses Internet facilities, the ever-increasing growth in Internet in Malaysia is expected to contribute positively towards the use of more online services such EBPP. This is further supported by the various initiatives introduced by the Government to encourage the use of ICT.

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**14. EXECUTIVE SUMMARY OF THE ERNST & YOUNG REPORT (Cont'd)**

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Data and Document Processing Services  
Electronic Bill Presentment and Payment Service

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### Substitute Products

As stated above, EBPP is a potential substitute for DDP. However the uptake of EBPP as a substitute of DDP services is not likely to be significant in the short term.

### Laws and Regulations

There is no specific law governing EBPP activities in Malaysia. However the various cyberlaws introduced by the Government to regulate e-commerce activities in Malaysia also applies to some extent to EBPP. This includes Digital Signature Act 1997, Copyright Act (Amendment) 1997, Computer Crimes Act 1997 and the Communications and Multimedia Act 1998.

Brief descriptions of the selected cyberlaws are as follows<sup>5</sup>:

#### *The Digital Signature Act 1997*

Enforced on 1 October 1998, the Digital Signature Act 1997 is an enabling law that allows for the development of e-commerce. It provides an avenue for secure on-line transactions through the use of digital signatures. The Act provides a framework for the licensing and regulation of Certification Authorities and gives legal recognition to digital signatures. The Controller of Certification Authority, who has the authority to license and regulate Certification Authorities, was appointed on the 1 October 1998.

This Act is relevant to EBPP as digital signatures would provide the level of security to customers, giving the comfort of knowing that their data, be it their personal details, or their billing details are kept confidential.

#### *The Computer Crimes Act 1997*

Enforced on 1 of June 2000, it deals with unauthorised access to computer material, unauthorised access with intent to commit other offences and unauthorised modification of computer contents. It also makes provisions to facilitate investigations for the enforcement of the Act.

#### *Personal Data Protection Bill*

In recent years, the growth in Internet usage has resulted in vast amounts of personal information being transmitted, collected and used. Concurrently, the risks of abuse of this information wealth grew.

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<sup>5</sup> <http://www.mdc.com.my/msc/promise3.asp#cyber>

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**14. EXECUTIVE SUMMARY OF THE ERNST & YOUNG REPORT (Cont'd)**

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Data and Document Processing Services  
Electronic Bill Presentment and Payment Service

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Currently, there is no law governing the privacy right in Malaysia. However, the Malaysian Government is in the process of drafting legislation on Personal Data Protection to regulate the collection, possession, processing and use of personal data according to certain prescribed principles. The Ministry of Energy, Communications and Multimedia has released a draft Personal Data Protection Bill for public comment.

The Bill aims to regulate the collection, possession, processing and use of personal data by any person/organisation, including the Government, so as to provide protection to an individual's personal data and safeguard the individual's privacy. The legislation will also establish a set of common rules and guidelines on the handling and treatment of personal data by any person/organisation.

*Others*

The Government is also considering enacting the Electronic Transactions Act to facilitate transactions carried out by electronic means.

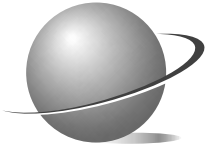
**Conclusion**

Both the DDP and EBPP market is anticipated to continue growing in the near future. Growing population and affluence, introduction of new products and technologies as well as cheaper consumers products, will spur the demand for DDP services. On the other hand, growing acceptance by consumers and organisation as well as the increasing Internet adoption among Malaysians, will lead to higher demand for EBPP services.

As observed in the banking and telecommunication industries, EBPP, which currently is still at its infancy stage in Malaysia, is expected to complement rather than substitute DDP in the near future. This augurs well for SPs with a strong presence in providing both DDP services and EBPP services.

## 15. DIRECTORS' REPORT

[Prepared for the inclusion in this Prospectus]



**Efficient**

**Registered Office:**

Room A, 14A Jalan Utara  
Off Jalan Imbi  
55100 Kuala Lumpur

22 November 2004

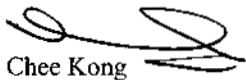
The Shareholders  
Efficient E-Solutions Berhad

Dear Sir/Madam

On behalf of the Board of Directors of Efficient E-Solutions Berhad (the "Company"), I report after due enquiry that during the period from 31 May 2004 (being the date to which the last audited financial statements of the Company and its subsidiary companies have been made up) to 22 November 2004 (being a date not earlier than fourteen days before the issue of this Prospectus) that:

- (a) the business of the Company and its subsidiary companies has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited financial statements of the Company and its subsidiary companies which have adversely affected the trading or the value of the assets of the Company and its subsidiary companies;
- (c) the current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by the Company or its subsidiary companies;
- (e) there have been, since the last audited financial statements of the Company and its subsidiary companies, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which the Directors are aware of; and
- (f) save as disclosed in the Accountants' Report and proforma consolidated balance sheets in this Prospectus, there have been no material changes in the published reserves nor any unusual factors affecting the profit of the Company and its subsidiary companies since the last audited financial statements of the Company and its subsidiary companies.

Yours faithfully  
For and on behalf of the Board of Directors of  
Efficient E-Solutions Berhad

  
Cheah Chee Kong  
Managing Director

**Efficient E-Solutions Berhad** (632479-H)

No. 45-49, Jalan PJS 1/28 (Petaling Utama 3), Taman Petaling Utama, 46000 Petaling Jaya, Selangor D.E, Malaysia

Tel: 603 7781 2555 • Fax: 603 7781 6846 • Email: [contactus@efficient.com.my](mailto:contactus@efficient.com.my)

## 16. ESOS

### 1. DEFINITIONS

1.1 Except where the context otherwise requires, the following expressions in these By-Laws shall have the following meanings:

“Act”	: The Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
“Board”	: The Board of Directors of EFFICIENT
“Bursa Securities”	: Bursa Malaysia Securities Berhad ( <i>formerly known as Malaysia Securities Exchange Berhad</i> )
“By-Laws”	: The By-Laws governing the Scheme, as amended from time to time
“CDS”	: Central Depository System
“Central Depositories Act”	: The Malaysian Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force
“Depository”	: Bursa Malaysia Depository Sdn Bhd ( <i>formerly known as Malaysian Central Depository Sdn Bhd</i> )
“Duration of the Scheme”	: The duration of the Scheme shall be five (5) years from the commencement of the Scheme as defined in By-Law 19 hereof unless extended in accordance with By-Law 19 hereof or terminated in accordance with By-Law 20 hereof
“Eligible Employee”	: An employee (including an Executive Director) of the EFFICIENT Group who meets the criteria of eligibility for participation in the Scheme as set out in By-Law 4 hereof
“EFFICIENT Group” or “the Group”	: EFFICIENT and its non-dormant Subsidiaries, collectively
“EFFICIENT Share(s)” or “the Shares”	: Ordinary share(s) of RM0.10 each in the capital of the Company
“EFFICIENT” or “the Company”	: Efficient E-Solutions Berhad
“ESOS”	: Employees’ Share Option Scheme
“Executive Director”	: A Director on the board of any member of the EFFICIENT Group holding office in an executive capacity and on the payroll of such member and who satisfies the criteria set out in By-Law 4 hereof
“Grantee”	: An Eligible Employee who has accepted an Offer in the manner indicated in By-Law 8 hereof
“Listing Requirements”	: Listing requirements of Bursa Securities for the MESDAQ Market
“Market Day”	: Any day between Monday and Friday (inclusive) other than a day on which MESDAQ is declared officially closed for trading



**16. ESOS (Cont'd)**

- “Maximum Allowable Allotment” : The maximum number of new EFFICIENT Shares in respect of which Offers may be made to Eligible Employees, as provided in By-Law 6 hereof
- “MESDAQ Market” : MESDAQ Market of Bursa Securities
- “Offer Date” : The date on which an Offer is made by the Option Committee to an Eligible Employee to participate in the Scheme in accordance with the By-Laws
- “Offer” : An offer made in writing by the Option Committee to an Eligible Employee in the manner indicated in By-Law 5 hereof
- “Option Certificate” : A certificate issued by the Company pursuant to By-Law 8.1 hereof
- “Option Committee” : The committee to be appointed by the Board to administer the Scheme
- “Option Period” : A period commencing from the Offer Date for each Eligible Employee and expiring on a date which the Option Committee may in its discretion decide provided that no Option Period shall extend beyond the Duration of the Scheme
- “Option Price” : In respect of each Option, the price per share at which a Grantee shall be entitled to subscribe for new EFFICIENT Shares by exercising his Option as set out in By-Law 7 hereof
- “Option” : The rights of a Grantee to subscribe for new EFFICIENT Shares pursuant to the contract constituted by acceptance by an Eligible Employee, in the manner as set out in By-Law 8 hereof, of an Offer made to such Eligible Employee pursuant to By-Law 5 hereof
- “RM” and “sen” : Ringgit Malaysia and sen respectively
- “Rules of the Depository” : The Rules of the Depository as issued pursuant to the Central Depositories Act or any statutory modification, amendment or re-enactment thereof for the time being in force
- “SC Act” : Securities Commission Act, 1993 or any statutory modification, amendment or re-enactment thereof for the time being in force
- “Scheme” : The scheme for the grant of Options to Eligible Employees to subscribe for new EFFICIENT Shares on the terms as set out herein
- “Subsidiary(ies)” : A subsidiary company of EFFICIENT as defined in Section 5 of the Act
- 1.2 In these By-Laws, unless the context requires otherwise, words denoting the singular shall include the plural and words denoting the masculine gender shall include the feminine and neuter gender.
- 1.3 The headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws.
- 1.4 If an event is to occur on a stipulated day which is not a market day, then the stipulated day will be taken to be the next market day.

**16. ESOS (Cont'd)****2. NAME OF SCHEME**

This Scheme will be named the “Efficient E-Solutions Berhad Employees’ Share Option Scheme”.

**3. MAXIMUM NUMBER OF SHARES ALLOWABLE UNDER THE SCHEME**

3.1 Subject to By-Law 3.2, the maximum number of new EFFICIENT Shares which may be allotted under the Scheme shall not exceed in aggregate ten per cent (10%) of the issued and paid-up share capital of the Company at any point in time during the Duration of the Scheme.

3.2 Notwithstanding the provision of By-Law 3.1 nor any other provisions herein contained, in the event the maximum number of new EFFICIENT Shares comprised in the Options granted under the Scheme exceeds the aggregate of ten per cent (10%) of the issued and paid-up share capital of the Company as a result of the Company purchasing its own shares in accordance with the provisions of Section 67A of the Act and thereby reducing its issued and paid-up capital, then such Options granted prior to the adjustment of the issued and paid-up capital of the Company shall remain valid and exercisable in accordance with the provisions of this Scheme.

However, no further Offer shall be made to any Eligible Employees as long as the aggregate shares comprised in the number of Options offered exceeds ten per cent (10%) of the issued and paid-up share capital of the Company as a result of the Company purchasing its own shares and thereby reducing its issued and paid-up capital.

3.3 The Company will, for the Duration of the Scheme, keep available sufficient authorised and unissued Shares to satisfy all outstanding Options, which may be exercisable from time to time.

**4. ELIGIBILITY**

4.1 Subject to the discretion of the Option Committee, any employee (including an Executive Director) of the EFFICIENT Group shall be eligible to participate in the Scheme if, as at the Offer Date, the employee:

- (i) has attained the age of eighteen (18) years;
- (ii) is confirmed and employed full-time and is on the payroll of a company within the EFFICIENT Group; and
- (iii) for employees serving under an employment contract, the employee must have completed a continuous period of at least one (1) year.

4.2 Eligibility, however, does not confer on an Eligible Employee a claim or right to participate in the Scheme unless an Offer has been made in writing by the Option Committee to the Eligible Employee under By-Law 5.

**5. OFFER**

5.1 The Option Committee may at its discretion at any time and from time to time within the Duration of the Scheme as it shall deem fit make an Offer to any Eligible Employee whom the Option Committee may in its discretion select to subscribe during the Option Period for new EFFICIENT Shares in accordance with the terms of the Scheme.

5.2 Nothing herein shall prevent the Option Committee from making more than one (1) Offer to any Eligible Employee provided always that, the total aggregate number of new EFFICIENT Shares comprised in the Offers shall not be less than one hundred (100) new EFFICIENT Shares but not more than the Maximum Allowable Allotment as set out in By-Law 6 hereof and shall always be in multiples of one hundred (100) EFFICIENT Shares.

**16. ESOS (Cont'd)**

- 5.3 Each Offer shall be made in writing by the Option Committee and shall state the number of new EFFICIENT Shares which the Eligible Employee shall be entitled to subscribe, the price at which the Eligible Employee is entitled to subscribe for each new EFFICIENT Share and the closing date for acceptance of the Offer.
- 5.4 No Option shall be granted to any Executive Director of the Company unless specific grant of Options to that Executive Director shall have previously been approved by the shareholders of the Company in a general meeting.
- 5.5 An Offer which has not been accepted shall automatically lapse and be null and void in the event the Eligible Employee shall cease to be employed for any reason whatsoever by the Group, or in the event he shall have died or become a bankrupt prior to the acceptance of the Offer by the Eligible Employee in the manner set out in By-Law 8.

**6. MAXIMUM ALLOWABLE ALLOTMENT AND THE BASIS OF ALLOTMENT**

- 6.1 Subject to any adjustments which may be made under By-Law 14, the aggregate number of Shares comprised in the Options to be offered to an Eligible Employee in accordance with the Scheme shall be determined at the discretion of the Option Committee after taking into consideration the Eligible Employee's performance, position, seniority and the number of years in service subject to the following:
- (i) that the aggregate number of Shares comprised in the Options made available under the Scheme shall not exceed the amount stipulated in By-Law 3.1;
  - (ii) that not more than fifty per cent (50%) of the Shares available under the Scheme at the point in time when an Offer is made shall be allocated, in aggregate, to Executive Directors and senior management; and
  - (iii) that not more than ten per cent (10%) of the Shares available under the Scheme at the point in time when an Offer is made shall be granted to any individual Eligible Employee who, either singly or collectively through persons connected with an Eligible Employee, holds twenty per cent (20%) or more in the paid-up capital of the Company.

The term "person connected with an Eligible Employee" shall have the same meaning given in relation to persons connected with a director or major shareholder as defined in Rule 1.1 of the Listing Requirements.

- 6.2 In the circumstances where the maximum allowable allotment as provided in the Listing Requirements on ESOS is amended by Bursa Securities, from time to time, the Option Committee shall have the discretion to make the necessary adjustments so that the number of new EFFICIENT Shares comprised in an Option that may be offered to any one of the Eligible Employees shall be in accordance with the provisions of the Listing Requirements prevailing during the Option Period.

**7. OPTION PRICE**

The price at which the Grantee is entitled to subscribe for each new Share shall be based on the weighted average market price of the Shares for the five (5) Market Days immediately preceding the Offer Date subject to a discount of not more than ten per cent (10%), or at the par value of the Shares, whichever is higher.

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**16. ESOS (Cont'd)**

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**8. ACCEPTANCE OF THE OFFER**

- 8.1 The Offer to participate in the Scheme shall be valid for acceptance for a period of thirty (30) days from the Offer Date or such longer period as may be determined by the Option Committee on a case-to-case basis at its discretion. The acceptance of an Offer shall be made by way of a written notice from the Eligible Employee to the Option Committee in the form prescribed by the Option Committee from time to time. Within thirty (30) days from receipt of such notice and payment, the Company shall issue to the Eligible Employee an Option Certificate confirming the grant to the Option and the number of new EFFICIENT Shares comprised therein. In the event that the Eligible Employee fails to accept the Offer within the prescribed period and in the manner aforesated, the Offer shall automatically lapse PROVIDED THAT the Option Committee shall not be precluded from making a new Offer to the Eligible Employee subsequently.
- 8.2 Acceptance of the Offer by an Eligible Employee shall be accompanied by the payment of Ringgit Malaysia One (RM 1.00) as non-refundable consideration for Option.
- 8.3 An Option shall be personal to the Grantee and cannot be assigned, transferred or otherwise disposed of in any manner whatsoever.

**9. EXERCISE OF OPTIONS**

- 9.1 Subject to By-Law 9.2 hereof, an Option may be exercised by the Grantee by notice in writing to the Company in the prescribed form from time to time during the Option Period in respect of all or any part of the new EFFICIENT Shares comprised in the Option, provided that where an Option is exercised in respect of a part of the new EFFICIENT Shares comprised therein, the number of new EFFICIENT Shares of which such Option may be exercised shall not be less than one hundred (100) and shall be in multiples of one hundred (100).
- 9.2 Subject to By-Law 14 hereof, the Option Committee may, at any time and from time to time, before or after an Option is granted, limit the exercise of the Option to a maximum number of new EFFICIENT Shares and/or such percentage of the total new EFFICIENT Shares comprised in the Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the Option Committee in its discretion including amending/varying any terms and conditions imposed earlier.

The partial exercise of an Option shall not preclude the Grantee from exercising the Option for the remaining duration of the Option Period in respect of the balance of the new EFFICIENT Shares comprised in the Option.

Any new EFFICIENT Shares comprised in an Option not subscribed for in any year following the date on which the Option was granted, may be subscribed for in any subsequent year until and including the last year of the Option Period.

- 9.3 Every such written notice referred to in By-Law 9.1 hereof must be in the form prescribed by the Option Committee from time to time and accompanied by a remittance (calculated in accordance with the provisions of By-Law 7 hereof) for the full amount of the subscription monies for the new EFFICIENT Shares in respect of which notice is given. Within ten (10) Market Days from the receipt by the Company of the aforesaid notice and remittance from the Grantee, the Company shall allot such new EFFICIENT Shares to the Grantee accordingly, subject to and in accordance with the provisions of the Articles of Association of the Company, the Central Depositories Act and the Rules of the Depository; and if applicable, return the Option Certificate to the Grantee with an endorsement thereon stating the balance new EFFICIENT Shares comprised therein.

**16. ESOS (Cont'd)**

- 9.4 A Grantee who exercises his Option shall provide the Option Committee with his CDS account number or the CDS account number of his authorised nominee, as the case may be, in the notice referred to in By-Law 9.1. The new EFFICIENT Shares to be issued pursuant to the exercise of an Option will be credited into the CDS account of the Grantee or his authorised nominee, as the case may be and a notice of allotment stating the number of shares credited into such CDS account will be issued and despatched to the Grantee or the Grantee's authorised nominee with a copy to the Grantee, as the case may be, within ten (10) Market Days from the date of receipt by the Company of the written notice of the exercise of the Option together with the requisite remittance. No physical share certificate(s) will be issued.
- 9.5 No Options shall be exercisable after the expiry of the Option Period.
- 9.6 In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) the Option Committee may, in its discretion, suspend and/or cancel the right of the Grantee to exercise his Option pending the outcome of such disciplinary proceedings. The Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee and the outcome of such disciplinary proceedings PROVIDED ALWAYS THAT in the event that such Grantee shall subsequently be found to be not guilty of the charges which gave rise to such disciplinary proceedings, the Option Committee shall reinstate the rights of such Grantee to exercise his Option PROVIDED THAT such reinstatement is within the Duration of the Scheme in accordance with By-Law 19 hereof.
- 9.7 The Board, the Option Committee, the Company and/or any officer of the Company shall not, under any circumstances, be held liable for any costs, losses, expenses and/or damages whatsoever or howsoever arising in any event relating to the delay on the part of the Company in allotting and issuing the new EFFICIENT Shares or in procuring Bursa Securities to list the new EFFICIENT Shares for which the Grantee is entitled to subscribe.
- 9.8 Subject to the discretion of the Option Committee, failure by the Grantee to comply with the procedure for an exercise of an Option as stipulated in By-Laws 9.1 to 9.5 herein will invalidate the purported exercise of such Option by an Eligible Employee.
- 9.9 Every Option shall be subject to the condition that no new EFFICIENT Shares shall be issued to a Grantee pursuant to the exercise of an Option if such issue would be contrary to any law, enactment, rules and/or regulations of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.

**10. TERMINATION OF THE OPTION**

- 10.1 In the event of the cessation of employment of a Grantee with the EFFICIENT Group for whatever reason prior to the exercise of his Options or prior to full exercise of his Options, such Option shall cease immediately on the date of such cessation without any claim against the Company PROVIDED ALWAYS THAT subject to the written approval of the Option Committee in its discretion, if such cessation occurs by reason of:-
- (i) retirement on attaining the retirement age under the EFFICIENT Group's retirement policy;
  - (ii) retirement before attaining the normal retirement age but with the consent of the Board;
  - (iii) redundancy or any voluntary separation scheme;
  - (iv) ill-health, injury, physical or mental disability; or
  - (v) any other circumstances which are acceptable to the Option Committee,

such Option shall remain exercisable during the Option Period or such other period as determined by the Committee.

**16. ESOS (Cont'd)**

- 10.2 Subject to By-Law 10.1 above, upon the resignation of the Grantee from his employment with the EFFICIENT Group, his remaining unexercised Options shall cease with immediate effect on the date of such cessation.
- 10.3 An Option shall immediately become void and of no further effect upon the Grantee being adjudicated a bankrupt.
- 10.4 In the event of the liquidation of the Company, all unexercised or partially exercised Options shall lapse.
- 10.5 Where a Grantee dies before the expiry of the Option Period and at the time of his death held unexercised Options, such Options shall cease immediately on the date of such death without any claim against the Company PROVIDED ALWAYS THAT, subject to the written approval of the Option Committee in its discretion, such unexercised Options may be exercised in full by the legal or personal representatives of the Grantee after the date of his death provided that such exercise shall be within the Option Period and shall not be later than twelve (12) months after the date of his death.

**11. TAKEOVER**

Notwithstanding By-Law 9 hereof and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant authorities:

- (i) in the event a takeover offer being made to the shareholders of the Company by a general offer or otherwise and such offer becoming or being declared unconditional, then notwithstanding By-Law 9 hereof, the Grantee shall be entitled, within 3 months of the date on which such offer becomes or is declared unconditional, to exercise in full or in part any Option as yet unexercised within the Option Period. After the expiry of the said three (3) months period, the Grantee may, subject to the provisions of these By-Laws, exercise his unexercised or partially exercised Option or Options within the Option Period; and
- (ii) in the event a person becomes entitled or bound to exercise rights of compulsory acquisition of EFFICIENT Shares under the provisions of the Act or the SC Act and gives notice to the Grantee that it intends to exercise such rights on a specific date ("Specific Date"), then notwithstanding By-Law 9 hereof, the Option shall remain exercisable by the Grantee in full or in part until the expiry of the Specific Date. In the foregoing circumstance if the Grantee fails to exercise his Option or elects to exercise only part of his Option by the Specific Date, then the Option, or as the case may be the Option in relation to the balance thereof, shall automatically lapse after the Specific Date and be null and void.

**12. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC.**

Notwithstanding By-Law 9 hereof and subject to the discretion of the Option Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 176 of the Act or its amalgamation with any other company or companies under Section 178 of the Act, then notwithstanding By-Law 9 hereof, a Grantee may be entitled to exercise all or any part of his Option or Options at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period.

Upon the compromise or arrangement becoming effective, all Options, to the extent unexercised shall automatically lapse and shall become null and void.

**16. ESOS (Cont'd)****13. RETENTION PERIOD**

The new EFFICIENT Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option or Options will not be subject to any retention period. However, the Grantees are encouraged to hold the EFFICIENT Shares as a long-term investment and not for any speculative purpose and/or realisation or immediate gains.

**14. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD**

14.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of rights issues, bonus issues or other capitalisation issues, consolidation or subdivision of shares or capital reduction, or otherwise howsoever taking place:

- (i) the Option Price; and/ or
- (ii) the number of new EFFICIENT Shares comprised in the Option so far as unexercised

shall be adjusted in such manner as the external auditors of the Company for the time being (acting as experts and not as arbitrators), upon reference to them by the Option Committee, confirm in writing to be in their opinion, fair and reasonable, PROVIDED ALWAYS THAT:-

- (a) no adjustment to the Option Price shall be made which would result in the new EFFICIENT Shares to be issued on the exercise of the Option being issued at a discount to par value, and if such an adjustment would but for this provision have so resulted, the Option Price payable shall be the par value of the new EFFICIENT Shares;
- (b) upon any adjustment being made pursuant to this By-Law hereof, the Option Committee shall within ten (10) Market Days of the effective date of the alteration in the capital structure of the Company notify the Grantee (or his legal or personal representatives where applicable) in writing informing him of the adjusted Option Price thereafter in effect and/or the revised number of new EFFICIENT Shares thereafter to be issued on the exercise of the Option; and
- (c) the capital outlay to be incurred by Option holders in exercising their Options remains unaffected. Where it is not practicable to ensure that the capital outlay to be incurred by Option holders in exercising their Options remain unchanged, the Company will seek a waiver from Bursa Securities from complying with the requirement.

14.2 Notwithstanding anything to the contrary contained in the Scheme, in the event that a fraction of a new Share arising from the adjustments referred to in By-Law 14.1 hereof would otherwise be required to be issued upon the exercise of an Option by the Grantee, the Grantee's entitlement shall be rounded down to the nearest whole number of new Shares.

14.3 The adjustment pursuant to this By-Law shall be effective on the day immediately following the books closure date for the event giving rise to the adjustment.

14.4 The provisions of this By-Law shall not apply where the alteration in the capital structure of the Company arises from:

- (i) an issue of new EFFICIENT Shares in consideration or part consideration for an acquisition of any other securities, assets or business;
- (ii) a special issue of new EFFICIENT Shares to Bumiputera investors nominated by the Ministry of International Trade and Industry, Malaysia and/or any other government authority to comply with Government policy on Bumiputera capital participation;
- (iii) a private placement or restricted issue of new EFFICIENT Shares by the Company;

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**16. ESOS (Cont'd)**

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- (iv) a share buy-back arrangement by the Company;
- (v) any issue of warrants, convertible loan stocks or other instruments by the Company that gives a right of conversion into new Shares, and any issue of new Shares arising from the exercise of any conversion rights attached to such convertible securities; or
- (vi) an issue of new EFFICIENT Shares upon the exercise of Options pursuant to the Scheme.

**15. QUOTATION OF SHARES**

Upon any new Shares (if any) being allotted to the Grantee pursuant to an exercise of the Options, the Company shall make the necessary application to Bursa Securities for the listing of and quotation for such new EFFICIENT Shares and use its best endeavours to obtain permission for such listing and quotation.

**16. RANKING OF NEW EFFICIENT SHARES**

The new Shares to be allotted and issued upon the exercise of the Options will upon such allotment and issuance, rank *pari passu* in all respects with the then issued and fully paid-up Shares except that the Shares so allotted will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments or other distributions) of which is prior to the date of allotment of the new Shares and will be subject to all the provisions of the Articles of Associations relating to the transfer, transmission and otherwise of the Shares.

**17. ADMINISTRATION**

The Scheme shall be administered by the Option Committee consisting of such persons appointed by the Board. The Option Committee shall administer the Scheme in such manner as it shall in its discretion deem fit. For the purpose of administering the Scheme, the Option Committee may do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Scheme, as the Option Committee may in its discretion deem fit necessary and/or expedient for the implementation of the Scheme.

The Board shall have the discretion as it deems fit to approve, rescind and/or revoke the appointment of any person in the Option Committee.

**18. AMENDMENT AND/OR MODIFICATION TO THE SCHEME**

Subject to the approvals of any relevant authorities, the Board shall have the power at any time and from time to time by resolution to amend and/or modify all or any of the provisions of the Scheme PROVIDED THAT no such amendment and/or modification shall be made which would either materially prejudice the rights then accrued to any Grantee without the Grantee's prior consent or alter to the advantage of any Grantee in respect of any provisions of the Scheme without the prior approval of the Company's shareholders in a general meeting.

Where an amendment and/or modification is made to the By-Laws of the Scheme, the Company shall submit to the Bursa Securities a confirmation letter that the amendment and/or modification does not contravene any of the provision of the guidelines on ESOS as stipulated under the Listing Requirements.



**16. ESOS (Cont'd)****19. EFFECTIVE DATE AND DURATION OF THE SCHEME**

19.1 The effective date of the commencement of the Scheme shall be the date of full compliance with the Listing Requirements in relation to ESOS including the following:

- (i) submission of a final copy of the By-Laws to Bursa Securities;
- (ii) receipt of approval-in-principle for the listing of and quotation for the new Shares to be issued pursuant to the exercise of the Options from Bursa Securities;
- (iii) receipt of approval of the shareholders for the Scheme;
- (iv) receipt of any other relevant authority whose approval is necessary in respect of the Scheme; and
- (v) fulfilment of all the conditions attached to the above approvals for the Scheme.

The Scheme shall be in force for a period of five (5) years from the date of commencement of the Scheme ("Date of Commencement"). However, an extension to the Scheme may be effected by the Company upon the recommendation of the Option Committee, subject to an aggregate duration of ten (10) years from the Date of Commencement (or any other duration that is allowed by the relevant authorities). In the event the Scheme is extended and implemented in accordance with the terms of these By-Laws, the Option Committee shall inform the relevant parties of such extension, prior to the proposed extension of the Scheme.

19.2 Subject to the approval of the relevant authorities and the shareholders, the Company may establish a new employee share option scheme after the expiry of the current Scheme or if the current Scheme has been terminated during the Duration of the Scheme. An Eligible Employee who has been granted Options under the earlier Scheme may be allowed to participate in this new scheme, subject to the then by-laws of the new scheme.

**20. TERMINATION OF THE SCHEME**

Notwithstanding the provisions of By-Law 19, the Scheme may be terminated by the Company at any time during the Duration of the Scheme provided the following approval(s)/consent(s) are obtained:

- (i) the consent of the shareholders at a general meeting; and
- (ii) the written consent of all Grantees who have yet to exercise their Options, either in part or in whole.

**21. DISPUTES**

In the event of any dispute or difference between the Option Committee and an Eligible Employee or Grantee, as to any matter or thing of any nature arising hereunder, the Option Committee shall determine such dispute or difference by a written decision (without any obligation to give any reasons therefor) given to the Eligible Employee or Grantee, as the case may be. The said decision shall be final and binding on the parties unless the Eligible Employee or Grantee, as the case may be, shall dispute the decision by written notice to the Option Committee within fourteen (14) days of the receipt of the written decision, in which case such dispute or difference shall be referred to the decision of the external auditors of the Company for the time being, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects. In the event that the external auditors are unable to reach a decision in respect of the dispute, such dispute shall be referred to a court of law of competent jurisdiction in Malaysia, whose decision shall be final and binding in all respects.

**16. ESOS (Cont'd)**

**22. COMPENSATION**

- 22.1 An Eligible Employee or Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.
- 22.2 No Eligible Employee or Grantee or legal or personal representatives shall bring any claim, action or proceeding against the Company or the Option Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Option or his Option ceasing to be valid pursuant to the provisions of these By-Laws, as may be amended from time to time in accordance with By-Law 18 hereof.

**23. TRANSFERS FROM OTHER COMPANIES TO THE GROUP**

In the event that:

- (a) an employee or an executive director who was employed in a company related to EFFICIENT pursuant to Section 6 of the Act (being a company that is not a subsidiary of the Company) and is subsequently transferred from such company to any company within the Group; or
- (b) an employee or an executive director who was in the employment of a company which subsequently becomes a subsidiary of the Company as a result of a restructuring or acquisition or otherwise involving the Company and/or any company within the Group;

(the first mentioned company in each of (a) and (b) is hereinafter referred to as the "Previous Company"), such an employee of the Previous Company (the "Affected Employee") will, if the Affected Employee satisfies all the conditions of these By-Laws, be eligible to be considered for the offer of Options under the Scheme for the remaining Duration of the Scheme and subject to all the terms and conditions of these By-Laws. The Affected Employee shall also be entitled to continue to exercise all such unexercised option(s) which were granted to him under the employee share option scheme (if any) in which he was participating (the "Previous ESOS") whilst the Affected Employee was in the employment of the Previous Company in accordance with the By-Laws of such Previous ESOS but he shall not, upon such transfer or restructuring or acquisition as the case may be, be eligible to participate for further options of such Previous ESOS. Where the Affected Employee accepts further options under the Previous ESOS after the transfer or restructuring or acquisition as the case may be of the Affected Employee and/or Previous Company to the Group, such Affected Employee shall not be considered for the offer of Options under the Scheme.

**24. DIVESTMENT FROM THE GROUP**

If a Grantee who was in the employment with a company in the Group which was subsequently divested wholly or in part from the Group which resulted in a subsequent holding of fifty per cent (50%) or less by the Group, then such Grantee:

- (i) may be entitled to continue to exercise all such unexercised Options which were granted to him under the Scheme within a particular time frame determined within the Option Period at the discretion of the Option Committee, failing which the right of such Grantee to subscribe for that number of new EFFICIENT Shares or any part thereof granted under such unexercised Options shall automatically lapse and be null and void and of no further force and effect; and
- (ii) shall not be eligible to participate for further Options under the Scheme.

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**16. ESOS (Cont'd)**

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**25. COSTS AND EXPENSES**

All costs and expenses incurred in relation to the Scheme including but not limited to the costs and expenses relating to the issue and allotment of the new EFFICIENT Shares upon the exercise of any Option shall be borne by the Company.

**26. NOT A TERM OF EMPLOYMENT**

This Scheme does not form part nor shall it in any way be construed as part of the terms and conditions of employment of any employee of the Group.

**27. ARTICLES OF ASSOCIATION**

Notwithstanding the terms and conditions contained in this Scheme, if a situation of conflict should arise between this Scheme and the Articles of Association of the Company, the provisions of the Articles of Association of the Company shall at all times prevail.

**28. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS**

All Grantees are entitled to inspect the latest audited financial statements of the Company during normal office hours on any working day at the Registered Office of the Company.

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